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THE PRICE-SYSTEM AND SOCIAL POLICY

I

The quest of paradox leads into no field more promising than that of American social development. Not the least interesting and significant of the queer contradictions found there is the ideal of democracy which has found expression in common thought and the fact of oligarchy which has written itself into economic arrangements. In popular speech and writing the goodness of democracy passes unquestioned. So secure is its place that an occasional attempt to discover its nature, to analyze its claims, to inquire whether it is more than a formal goal of development, or to challenge its generally accepted beneficence¹ has fallen upon deaf ears. Its intense reality to us is indicated by our attempt to realize it in politics, which contains the institutions of which intuitively we are most conscious. We have added the many to the few who once went the privileged way to the ballot-box. Even our increasingly polyglot population has robbed our invitation to the suffrage of none of its catholic charm. Within the polling-place we have made the heritage of birth, intellectual attainment, economic place, and social position alike of no avail. By its even-handed calculus the lord of the industrial manor, whose smoke-stacks adorn a countryside, has been held of equal account with the ignorant Hunkie who plies pick and shovel within the recesses of the mine. By making

¹ That "democracy" is a crude and unanalyzed concept even a superficial study of its literature will show. In lay thought very rarely does the term carry other than a political connotation, and the lay mind has given little attention to the question of whether democracy is in itself a social ideal or merely a means to the attainment of such an ideal. Even professional writers who intend to use the word quite precisely give it no common meaning. For instance, Dewey, Cooley, and Lloyd are generally classed as members of a common school, yet they differ widely in their conceptions of democracy. See John Dewey, *Democracy and Education*, *passim*; Charles H. Cooley, *Social Organization*, especially pp. 85-87, 157-76, 203-5; and Alfred H. Lloyd, "The Duplicity of Democracy," in *American Journal of Sociology*, XXI, pp. 1-14. Lloyd's conception is particularly interesting in regarding democracy as a weapon for an attack upon an outgrown scheme of inequality, but useless for constructive purposes.

each citizen count for one and no one for more than one in true Benthamite style, we have formally endowed the masses with the political power to shape their ends.

Yet universal manhood suffrage has not given us a democratic industrial system. On the contrary, the diffusion of political power has gone hand in hand with a concentration of wealth and economic prestige. The older world of communities, self-sufficient and like unto one another, communities wherein each farmer, craftsman, and merchant was master of his time and business, and was "just as good a man" as his neighbor, has passed. The tasks essential to our desires have been divided and subdivided and their elements have been gathered up into a vast and intricate system of closely co-ordinated businesses. These have been manned by a miscellaneous group of persons performing varied and dissimilar functions and arranged as a hierarchy. At its apex appears a small group of business men directing industries of titanic size and vast social importance. Below them is a larger group, quite like them, yet inferior in initiative and power. Still lower are the hosts of industrial and clerical laborers, comprising the great mass of city-dwellers, stripped of power and shorn of initiative. An intermediate group of professional men with no clearly defined position gives an impression of unity to the whole. As a complement the prestige of ownership, carrying with it control over the actions of men and the welfare of groups, distributes itself after a like hierarchical pattern. Within this social order groups have appeared, the higher ones closed to all save the unusual individual by the laws of inheritance and the other conventions of ownership. Within the lower strata the ambition of only the exceptional to gain power, amass wealth, or assume social position can pass beyond embryo. To the great mass of men democracy, in any economic or social sense, has become a thing apart from the everyday concerns of a humdrum universe.

In its development American society thus reveals an antithesis between common thought and political institutions on one side and the industrial system on the other. The enfranchised many have failed to translate their democratic ideals into economic fact. Their failure makes pertinent the inquiries: Why should the

masses, seemingly endowed with the power to determine the future, have permitted the development of a system which has stripped them of ownership, initiative, and power? Why should those that have not have failed to use their political power to help themselves at the expense of them that have?

Strangely enough so striking a paradox has called forth few attempts at understanding. But perhaps this has been because men do not explain what they do not see, and most of us, tossed to and fro by the cross-currents of social development, have failed to sense its deeper drift. The very lack of explanation indicates that an obliviousness to the larger tendencies of change has been a factor of importance in the appearance of this contradiction. Of late, however, the phenomenon has called forth several explanations, differing in kind and possessing varying degrees of plausibility.

None of these explanations insists that inequality is sustained by the customary devices which in other days have been used to keep the masses in their *ordained* places. In other times the privileged few have drawn their strength from a militia conducting rather to domestic tranquillity than to freedom from invasion. Under other systems it was deemed necessary to keep the masses in ignorance, thus preventing alike a clear appreciation of their condition and the communication of ideas so necessary to activity in their own behalf. Under other conditions royalty has been arrayed in vestments of divinity; omniscient deities have endowed the privileged with their prerogatives; and loyalty and obedience have been translated into principles of the highest morality. In other circumstances a wonderful symbolism had been wrought, permeating art, religion, and literature with its preachments about the sanctity of the socially elect.¹

¹ In this connection it is important to remember that all literature and art is didactic. Certain specimens are condemned as "didactic," not upon ethical but aesthetic grounds. The condemnation is not because they teach, but because the teaching is direct and crude, and therefore ineffective. Since books must be peopled, since plots must unfold, since triumph and disaster must adorn the pages of literature, the didactic note is ever present. Its most usual and effective, and therefore most artistic, form is holding up for approval or condemnation particular characteristics of individuals, particular events, and particular conventions. Through the revelation of such values all forms of art are means of social control.

In lieu of these habitual formulas many ingenious theories have been offered in explanation of the seemingly self-willed inequality of industrialism. The first of the two general groups, into which they may all be gathered, insists that the masses have deliberately willed the system that is because it tends to their ultimate well-being. The several explanations of this group resolve themselves into two types. The first insists that a consciousness of a mutuality of interests between higher and lower social groups is responsible for the conservative action of the numerically strong.¹ Accordingly they have abided in patience a growing inequality because it has been a mere mask behind which has lurked a real increase in material well-being even for the worst paid of men. It is unnecessary to insist that this argument rests upon arbitrary assumptions rather than upon ascertained facts and that it assumes the immutability of social arrangements. It is necessary not even to question its validity. To discredit it as an explanation it is enough to note that it is most popular with the upper pecuniary groups and has found little acceptance among workingmen. Their rejection of it prevents it from being the basis of their actions.

The second type of the theory of mutuality of interests among the pecuniary groups admits that, at least in the minds of the dispossessed, the interests of all are not quite identical. Yet, so it asserts, the current division of equities, however imperfect it may be, is inseparable from a vast, intricate, and sensitive industrial organization. Any tinkering with this by men who do not and cannot understand its intricacies is likely to wreck the system and to leave the meddling masses in a much worse position than before. Therefore they desist because they realize that self-interest demands it. Again it is unnecessary to dispute the truth of the argument. Certainly only a poor economist would deny that disorganization would attend an ill-advised meddling with the industrial system. But again it requires no extensive researches to show that it is not a consciousness of the complexity and del-

¹ Most of the arguments referred to in the text have many variants. Since the reference is usually only to the general type of the argument, the citation of particular authorities is unnecessary. However, where a variant of a type, developed with analytical nicety and precise statement, is referred to, the authority is always cited.

icacy of the economic structure which prevents the proletariat from becoming a self-appointed Samson. On the contrary, the minds of even the best-informed laymen habitually conceive of economic problems as simple and the ramifications of the system as few and intelligible.¹

The second general group of explanations admits readily enough that the difference of interests between the higher and the lower pecuniary groups is both real and apparent. These arguments also fall under two distinct types, differing in the source of the inactivity of the proletariat. The first attributes it to a lack of organization or leadership. Thus it is argued that the great American middle class, living partly by property, partly by labor, bridges the gap between the upper and the lower groups, prevents their relative positions from being seen, and effectively inhibits a realization by the propertyless groups of their mutual interests.² Again it is insisted that the diversity of interests of the lower groups has prevented effective communication among them and the formulation of a common program. It is argued, too, that leadership is inefficient; that men of imagination, vision, and initiative are invariably drawn to the service of members of the higher groups by the larger rewards which they offer. An ingenious argument insists that the machine process has robbed the laborer of initiative, reduced his life to a monotonous routine, placed him in a position of intellectual isolation, and dried up his initiative. He is compelled to allow affairs to go their own way,

¹ "What is it prevents the social revolution? It is not a scientific understanding of the reasons of these inequalities, or any doubt of the possibility of reorganizing industry without them, for no study is so neglected in Great Britain as the scientific study of economic organization."—Henry Clay, *Economics: An Introduction for the General Reader*, p. 45. The reader will doubtless concur in the statement as equally applicable to America.

² Perhaps the theory that for the "good man" the road lies open from the lowest to the highest pecuniary group is to be classed as a variant of this type. In terms of this theory the proletarian does not act because he sees in himself a capitalist in embryo. The theory is a product of the American frontier, unappropriated resources, and a rising margin of economic utilization. In the past it has been of importance in checking the rise of group consciousness; for it is impossible for men to identify their interests with those of a group to which they regard themselves as only temporarily attached. In view of the more stable conditions of the present, one is in more danger of exaggerating than of underestimating its importance.

or someone else's way, because his fatalism and inertia leave him no alternative.¹

The second variant of the explanation which represents the masses as inactive in the face of conscious injustice finds the source of their inertia without. One has it that universal manhood suffrage is a mere sham; that the real government is beyond popular control; that, because of careful manipulation by the privileged few, voters are confronted on election day with rival candidates remorselessly conservative, equally platitudinous, and appealing upon programs quite alike. Another insists that communication and discussion, so necessary to the organization of opinion and to activity, are controlled by the conservatives. Thus, through distorting significant items, a perspective of the current situation is kept from those concerned, and when a crisis requiring action comes, a deliberate attempt is made to muddle the issues. A third imputes to the "owners of property" an ability to impose their will upon the course of economic development at the expense of the unsuspecting masses. The source of such imposition is presumably a greater consciousness of group interests and a greater

¹ In this connection note the following statement by one of the ablest of the recent writers in general economics: "Probably the concentration of responsible work in the hands of a small class, the great majority of laborers being specialized to automatic non-responsible work, is the chief explanation of the most remarkable social phenomenon of the time. In some Western countries with democratic franchises one-tenth of the people own nine-tenths of the wealth. A considerable proportion of the voters are constantly on the verge of destitution, while a small minority flaunt in their faces the most extravagant luxury. How is it that the populace does not use its political power to remove such inequalities? What is it prevents the social revolution? . . . The explanation is largely habit, the inertia of uneducated masses, the fatalism that is almost inevitable after ten hours a day, five and a half days a week, and fifty weeks a year of monotonous toil in a factory. But another explanation is that the people who suffer the most under the present industrial system have the habit of initiative rigorously ground out of them by the system. . . . They are so in the habit of being told what to do that they do nothing when they have only themselves to tell them to do it."—Henry Clay, *op. cit.*, pp. 45-46. While agreeing with the general truth of Mr. Clay's statement that one-tenth of the people own nine-tenths of the wealth, one must note that it is likely to give a false impression, for one-tenth of the people receive much less than nine-tenths of the income. The discrepancy between wealth and income statistics is due to the obvious fact that wealth represents the capitalized values of incomes from property, but excludes the capitalized values of incomes from personal service.

facility in organization.¹ And, more shrewdly, the argument has been advanced that the freedom of the ballot-box is a political fiction, that it has been hedged about with such prohibitions against interference with property as to prevent democracy from any adequate translation of will into fact.²

The arguments in this general group, irrespective of the type to which they conform, fail to explain the facts. It is true that the proletariat has an inadequate conception of its place in society, that its means of communication fall short of what is demanded for effective action, and that its leaders have been lacking in alertness, vision, and resource. But it is equally true that it has failed to make use of such knowledge of position, means of organization, and leadership as it possesses. Nor can it be denied that the means of communication are far from being free and that issues are deliberately muddled. In addition the policies of political parties rest upon traditions which cannot easily be set aside; property owners, despite their many conflicting interests, are a far more homogeneous class than the proletariat; and the fundamental law of the land has its full complement of inhibitions upon effective group-action. Yet enough of fact, falsehood, opinion, and prejudice reach the laborers to make them more radical

¹ This is apparently the thesis implicit in J. Allen Smith, *The Spirit of the American Government*, and in Charles A. Beard, *An Economic Interpretation of the Constitution of the United States*.

² Note the following statement by one of the most penetrating students of American institutions: "The fundamental division of powers in the Constitution of the United States is between voters on one hand and property owners on the other. The forces of democracy on the one side, divided between the executive and the legislature, are set over against the forces of property on the other side, with the judiciary as arbiter between them. . . . This theory of American politics has not often been stated. But it has been universally acted upon. . . . It has had the most fundamental and far-reaching effects upon the policy of the country. To mention but one thing among many, it has allowed the experiment of universal suffrage to be tried under conditions essentially different from those which led to its ruin in Athens or in Rome. The voter was omnipotent—within a limited area. He could make what laws he pleased, so long as those laws did not trench upon property-rights. He could elect what officers he pleased, so long as those officers did not try to do certain things confided by the Constitution to the property holders. Democracy was complete as far as it went, but constitutionally it was bound to stop short of social democracy."—Arthur T. Hadley, "The Constitutional Position of Property in America," in the *Independent*, LXIV, 837-38.

in thought than in action—enough, as has often been remarked, to make them more radical upon other days in the year than upon the first Tuesday after the first Monday in November. In short, these suggestions do not suffice because the radicalism of action falls far short of the radicalism of thought.

Less superficially viewed, these arguments possess in their assumptions more serious errors of omission and commission. The first of these is the presupposition that group-action finds its source in the will of its members. The general truth of this need not be questioned, for so long as people differ we shall find them responding to the same stimuli in different ways. But its adequacy needs to be challenged, for it is a commonplace of economic thought that such differences are mere variations from a common response to the institutional environment to which economic survival forces the members of social groups to conform. Hence the quest for the dominant constraints upon group-activity must lead through volition to the compelling social arrangements beyond. The second is an assumption that individual and group interests are simple and intelligible things, easy of understanding and of conversion into reality. This grows out of an attempt of the exponents of these arguments to rationalize individual judgment by making it automatically respond to the dictates of self-interest. Its error is that one's interest of the moment may be opposed to that of five years hence and even more to that of a still less immediate future. Likewise one's interest as an individual may be opposed to his interest as a member of a group, and the interests of the several members of any group are always more or less out of accord. This conception errs, too, in representing the interests of the higher and lower pecuniary groups as universally opposed. In its stead we must erect a conception of individual and group interests as complex bundles of conflicting values difficult of apprehension and of conversion into reality. The third assumption is of a common group-interest which has found expression in a concentration of economic power. It seems to deny to the people who make up society an immense concern with the prosaic work of making livings and of acquiring for themselves the comforts and vanities of this world. It regards the policy which

finds expression in economic development rather as an expression of conscious social intent than as a mere incident of the ordinary activities of money-making and of serving Mammon by laying up treasures on earth. It errs in imputing to intent what appears only in result.

This brief criticism indicates, at least in general, the character of the argument which follows. It regards the development of the industrial system, in which the concentration of economic power is so manifest, as a by-product of the several responses of many groups to the exigencies of their everyday lives. The characteristics of change are thus incidental to ordinary business activities rather than to the essence of a conscious collective intent. This makes of "social policy" an implication of a continuous series of accommodations by social groups to the exigencies of their ordinary economic lives. Likewise it assigns to the tangible interests of the immediate future a larger meed of control than to those of a more nebulous afterwhile.

But while "interests" may be the forces impelling activity, the form of that activity is determined by the scheme of social conventions under which they must assert themselves. So the inquiry into the antecedents of social policy runs back to the institutions which together make up "the prevailing order." Amid their bewildering complex the argument below attempts to find the most pertinent of these factors in the omnipresent and unescapable price-system. To this end it resolves itself into two parts, the first of which purports to show the constraints exercised by the price-system upon the activities of the several pecuniary groups, and the second to indicate how these several responses have found expression in a common social policy which, even in a society with a democratic franchise, has eventually led to a concentration of economic power and prestige.

II

To appreciate adequately the power which the price-system exercises over conduct one must remember that the one fundamental idea in modern economic organization is interdependence. It is a truism that one is dependent, not only for the fulness of

life, but for existence itself, upon maintaining a connection with the industrial system. Doubtless we may still hypothecate an isolated individual, thanks to the gifts of nature about him, sufficient unto himself for all the means of an empty and precarious existence. We may perhaps visualize communities with economic arrangements far simpler than ours, communities in which men take directly from soil, forest, and stream the materials upon which their welfare depends. In such communities the formulas of well-being run in terms of health, strength, and exertion; of the soil, the sun, and the rain. But under industrialism the simplicity is gone and the old formulas will not do. Under its ritual a man performs a highly specialized productive act or service, not for himself primarily, but for a multitude of others. Likewise the objects and services essential to his numerous desires come to him from a vast and complex industrial system, which uses all sorts of men and equipment and ramifies unto the utmost corners of the earth. A connection of the individual with this great world-machine is necessary to his very life.

This making of a living by many men for many men has usually been called the division of labor. Its maintenance requires the continuous organization into a single coherent whole of a wide variety of services, materials, and forces. If every member of society is to have a part in this, if each is to give and to get, if the potential resources are properly to be used, if the products are to correspond to the demands for them, the task of organization becomes a delicate one. Everywhere there must be careful measurement, nice adjustment, careful fitting. This delicate articulation of parts has been made possible by the rise of the institution of pecuniary calculation, which assigns to the satisfaction of each desire, to the use of each raw material, to each service, to each good, its definite price. Its precision makes possible the maintenance of a highly exact and articulate organization of unlike and diverse elements in an industrial order. The prices which make it up constitute an organic system, not a mere aggregation of unrelated items, each having such intimate connections with the others that the whole can best be represented by means of a vast, intricate, and tangled network. But even this illustration is inadequate, for always here and there, for reasons good and sufficient,

prices are changing and forcing changes upon correlative prices even to the confines of the system. Thus the whole is ever in process of being remade. Moreover its fitful character is indicated by the very different degrees of resistance which different prices oppose to the shock of change.¹ In close and constant touch with this price-system, which intimately reflects the whole of the myriad of conditions which make up life, which is always becoming new, and which is composed of items differing widely in their ability to withstand change, the members of all the groups of society are forced to order their lives. It is a succession of links binding them, one by one, to an industrial system apart from which their lives and activities are alike meaningless and impossible.

To the individual the price-system manifests itself most intimately in the immediate prices by which his wonted activities are hedged about. These include, on the one hand, the prices of his personal services and of the uses of his property, and, on the other, the prices of the goods and services which his plane of living or the requirements of his business demand. So far as the price-system affects his thought and conduct it is through its influence upon these immediate prices. It may be insisted that this influence, at least for the large number whose primary concern is with the immaterial satisfactions of life, is negligible, for the things of the spirit cannot be purchased. But, as life is organized, the means to the attainment of these things is frequently pecuniary, and they cannot be enjoyed unless material goods keep life within the body. Accordingly there are no cases of absolute indifference to pecuniary income. At the other extreme it is said that the desire for money is in itself the real incentive to all economic activity.²

¹ Since the characteristics of the price-system have been clearly and comprehensively set forth in economic literature they are doubtless familiar to the reader. Here it seems necessary only to indicate two or three features which are of importance in their influence upon the content of the actions of individuals. For a more than usual presentation of the structure of the price-system itself in institutional terms see Wesley C. Mitchell, *Business Cycles*, *passim*, particularly pp. 27-32.

² The miser is frequently pointed out as an example of such motivation. With him, however, the desire is not for money, but for coin. Miserliness is an attribute which attaches itself rather to the use of pecuniary income than to the making of it. Thus it is hard to see how the collector of current coins can be put in a different class from the man who collects coins of historical value, rare books, or other objects of a pecuniarily aesthetic character.

The habitual example is the business man who amasses wealth for which he has no need. With him, however, dollars are not the motive, they are mere counters indicative of the success which he has won in the business game.¹ The pecuniary income is universally desired, but its "power in motivation" is symbolic rather than real.² To one net income may represent the material means to well-being, a thing of importance only because it is the open sesame to immaterial enjoyments. To another it comprehends the number of possibilities of enjoyment or attainment which are his. To a third its increase or decrease is attended with a change in the number of alternatives from which he can choose his activities. To a fourth its magnitude marks the chance for survival in the economic struggle, an intrenched position, a zone of safety wherein he may do as he pleases. To a fifth it is important only as attesting by its size the freedom vouchsafed to its possessor, undisturbed by demands of conformity to pecuniary circumstance. In these and other cases its importance belongs outside of itself. It lies rather in furnishing a common denominator of enjoyment, activity, and opportunity, a means by which human motives can be reduced to intelligible and measurable terms. It is reasonable that motives which can thus be reduced to precise statement and compared are of more weight than those whose promises are vague and distant.

So long as men are unlike creatures, so long will they respond in varied ways to the complex of motives which a pecuniary formula holds. There is, for example, the man who insists that,

¹ "Because money provides the counters which measure commercial triumphs, we are apt to go astray in our analysis. Those who play cards for cowries are not mastered by a passion for cowries. Until we understand the motives now at work in the economic field, we are not likely to make the best practical use of economic knowledge."—Sydney J. Chapman, *Outlines of Political Economy*, p. 18.

² There are many pecuniary institutions, and in discussing them care must be taken both to avoid assigning to one what is chargeable to another and to resist the temptation to make one do service for a number. A curious example of crowding the whole of the institutional complex into a single concept appears in Benjamin M. Anderson, Jr., *Social Value*, p. 105, "Value is a force, a motivating force"; and in the same author's *The Value of Money, passim*, in which he crowds economic motivation into the dollar. For Mr. Anderson, however, this has the dialectical advantages of freeing him from the necessity of treating institutions and of making concessions to the genetic method.

because the price-system is not of his making, it is not to his liking. He would dispense with it if he could; but he finds that impossible, so he grudgingly puts up with just so much of it as he must. He must conform to the extent of earning a living or accepting an income from property, the ownership of which he does not disavow. Under modern conditions the "living" is likely to include means for the attainment of other ends than mere existence. If his income is from property, its size is the measure of his freedom from pecuniary thralldom. If he pleases, he may, at least for a time, disregard this limit and live in defiance of the mandates of the price-system. But if he persists, his property flits to another who is readier to obey the laws under which he lives. A protestant is shorn of his economic power, and with it lapses his active concern with most of the things of this world. The class which defies is small and its members hold a very precarious lease upon economic life.

A second group consists of those who continue to thrive seemingly in defiance of the injunction to make money. But wilful disregard is here merely a mask that hides a careful prudence. If one is protected by a monopoly, if he has invented an inviting trade-mark, if he is heir to a large amount of "good will," if in any one of a number of ways he has intrenched his income against the vicissitudes of price changes, he has a reasonable degree of immunity. He may engage in doubtful experiments in welfare work, surrender hours of toil to the leisure of his workers, make contributions to charity, or engage in other practices which are at variance with the dictates of the economic man within him. But if it is to endure, such freedom has to be carefully conserved; it is possible only within the limits of the prices about him.

It is therefore within the capacious confines of the class which obeys quite regularly the demands of the price-system that most of the members of society are to be found. In common they find their incomes smaller than they like; in common they would free them from the caprice which they serve. Each must steer his wayward course with one eye upon the prices of the goods which he buys and the other upon his income from services or goods sold. By all means the first must be kept down; by all

means the second must be exalted. In view of the uncertainty of the future, to fail to claim a pecuniary advantage today is to disregard the dictates of wisdom. It may result in a failure to secure a bigger one tomorrow, or it may render that morrow insecure.

The commands, prohibitions, and restrictions which the price-system lays upon individual conduct are immediate and real, imposing restraint both upon the spending of income and the making of it. In the first case one goes to market and exchanges income for means to the pleasures, activities, and attainments which he regards as most worth while. If he has no income, obviously he gets no goods. Since existence depends upon the wherewithal to be fed and clothed, his right to live becomes a matter of public or private grace. If his income is small he can gain the means to a limited range of desired activities; as its size increases he is allowed both more goods and greater discretion in choice. If he desires a new pair of shoes, a ticket to the opera, a picture for the study, a trip to California, a new automobile, an apartment at the Ritz-Carlton, or a public library to herald his name, the matter has to be referred to the dictates of the price-system. As prices go their capricious ways responding to the vicissitude of change, he is forced to change his purchases, his activities, and even his personal habits. They may compel him to eat rice when his taste inclines to potatoes; they may require him to have his shoes mended when he prefers a new pair; they may for the season force him upon the highway in an old car, the shabbiness of which is beyond dispute. A prohibitive price of domestic labor may compel him to renounce his home and take his meals in a restaurant. To accommodate himself once and for all to a scheme of prices which drives him in many directions is not the whole of submission. Their unexpected and arbitrary changes force from him an ever new allegiance and a constant reshaping of his actions.

Great as is its authority over the spending of income, the compulsion of the price-system is even greater in the making of it. Perhaps a careful calculus which makes purchasers attend upon a detailed comparison of the values and the costs of what they

buy may be a source of added enjoyments. Yet, as wants and goods become standardized, this importance shrinks, and to the great mass of men and women it appears mere penny economy. The desire of many men for more goods, more opportunities, more means of attainment, are much more likely to take the form of desires for larger incomes. It is therefore over money-making that the price-system exercises its strongest tyranny,¹ and for this reason it is necessary to study quite particularly this influence.

Let us begin with the group charged with the management of independent business ventures. To them success or failure is written in the balance sheet. They find their activities hemmed in between the prices of the goods and services which they buy and those of the articles which they sell. By grace of high prices or low costs the business adventurer derives from his concern a surplus; by dint of low prices or high costs he has a deficit thrust upon him. Unless a surplus appears, at least for its owner, the enterprise ceases to be. If it is small, his position is precarious; as it increases, there appears room for discretion, for personal judgment, for individual whim. If one would increase output, manufacture a new product, introduce a new technique,

¹ To insist at length upon the price-system as determining one's activities, habits, and mode of life is insisting upon the obvious. But in our thought, and even more in collective endeavor, its constraints upon us are not always clearly recognized. Offhand we think of the state as the institution which exercises the greatest restraint upon our actions. But a moment's thought shows how inferior its power is to that of the price-system. If space were available, it would be interesting to make a detailed comparison between the two institutions, with attention to the source of the power of each, the way in which it is used, the range of activities affected, the ease with which their respective decrees are enforced, the relative amounts of friction involved in the enforcement, the speed and continuity with which they reflect changed conditions, etc. But the comparison is easy and the reader can make it for himself. It is of note that neither in the Middle Ages nor in our own times has the state been the institution of dominant authority. For the earlier period that place was held by the Holy Catholic church; in our system it is taken by the price-system. In passing one cannot but mention the peculiar position into which the classical economists fell in discussing the price-system and the state. In trying to show the small place which the state should have in social matters they appealed to the dominance of the price-system. But the latter was regarded, not an institution, but as a manifestation of a natural order. Thus they denied importance to one institution by using a second institution whose institutional character they did not recognize.

change the organization of labor, place his goods in new markets, build a new plant, or engage in a gigantic advertising venture, experts familiar with the matters in question are consulted. They are asked, however, not for decision, but for advice. Their opinions are pertinent to, rather than sufficient for, judgment. They have to be translated into terms of dollars and cents, and final choice is reserved to those who know far more of the mysteries of the pecuniary calculus than of the intricacies of the productive process. If restraint came only from immediate prices the enterpriser might break them down and find economic freedom for himself. But the costs of many goods which he uses are but local manifestations of prices of goods used in the production of a thousand products. Over selling prices his control seems somewhat greater, but here there are also many restraints. If he has competitors, he dare not go much higher than they lest he be left without a market. If he has none, the double possibility of substitutes and of potential competition makes high prices less inviting. If his good be other than a prime necessity, there is a chance of his market being swept away by the preference of the consumer for the satisfaction of some want other than that to which his product ministers. If he sells to other producers the upper limit of price is quite a rigid one. Hemmed in thus he may seek to escape by increasing the amount of his sales. But price-lowering or extensive advertising, essential to this result, are alike expensive. They can succeed only within definite limits, for he has to compete against the allurements of other sellers. At best only the exceptional concern can expect an extraordinary share of the trade.

To this fitful tyranny of the price-system over the enterpriser many conditions peculiar to the industrial system contribute. The wide variety of the goods offered on the market presents to the consumer an endless choice. The result is that an increasing part of the industrial system is engaged in producing goods which satisfy a capricious demand. Since establishments are built and stocked with equipment to turn out a predetermined volume of goods at the lowest cost per unit, costs do not decrease in proportion to diminished sales. While it is important to keep sales

uniformly large, in few cases is this possible, for the fixed establishment is sadly at variance with the rhythm of activity in the business system. When trade is at a low ebb, small sales, attended by meager receipts, demand the utmost attention to the dictates of price. When the flood time of the cycle is on, there is no surcease, for the manager sees the double danger lurking in rapidly rising costs and in the inevitable depression whose seed prosperity is sowing. An additional danger, inseparable from industrial expansion, has left the entrepreneur face to face with a striking dilemma. If he expands his business to keep pace with rapidly growing population and wealth and the demand for better quality and larger variety in his goods, he is assured both economic survival and a more secure position. If he fails to meet the enlarged and more particular demands, he is destined to succumb to his competitor. To accept the first alternative he must usually find in his own dividends funds for expansion, which increases his slavery to a price-system subject to the caprice of the business cycle.

An even more immediate incentive to obedience proceeds from the corporate character of business organization. The impersonal nature of the corporation, the theoretical separation of ownership and management, and the extreme liquidity of securities combine to make responsible managers particularly sensitive to immediate price-motives. The securities are usually owned by the members of a body more numerous than the management, living broadcast throughout the country. Few of them have any personal knowledge of the concern, its organization, its personnel, its technical processes, or the living and working conditions of its laborers. The summary of the economic, social, and moral condition of the business is usually presented to them in the double form of the value of securities and the rate of dividends. If, by grace of management, a generous dividend is forthcoming, inquisitive owners are not likely to probe far into the how and why, and those in control are assured a generous extension of power. If it fails, those who have purchased in securities merely impersonal pecuniary incomes are not likely to tolerate excuses about managerial concern for social good. Their interest in charity is too personal and too precious to be delegated to men who draw

salaries for posing as business celestials. If by some mischance a management is elected which proves incurably altruistic, the stock market offers an easy egress to the analytically minded who do not wish to mix uplift with investments. If, as is more probable, particular stockholders object on moral grounds to the policy of the management, they may transfer their ownership to industries more to their liking. The change will soothe the individual conscience without interfering with the practices of the concerns involved.¹ If managers succeed beyond their expectations, their very success evokes the law of capitalization and leads to an increase in the value of the investments upon which in future they are expected to pay dividends. Thus success, instead of bringing relief, merely renews the slavery. Because well-connected businesses pay dividends regularly, the management is constantly under the temptation to subordinate to the amenities of the present projects which promise much in future to themselves, to the concern, and to the community. The constant opportunities of managers to speculate in the stocks of their own concerns do not diminish this temptation.

The response of enterprisers to the immediate pressure of prices involves more than the temporary well-being of the enter-

¹ To sell an equity in a business which does not satisfy one's morals seems a relic of an antiquated individualism, yet any one of us would do it. We object to renting property for saloon purposes, to owning stock in patent-medicine concerns, to enjoying dividends made possible by child labor, overwork of employees, or forcing the incidence of industrial risk upon them. Regarding the issue as one of personal morality, we wash our hands by selling our holdings to others whose particular scruples do not apply to the objectionable practices. Yet such sales merely salve individual conscience; they contribute nothing to an elimination of the objectionable practices. In fact the investment market has been organized in such a way as to permit an easy gravitation of equities in property toward those whose consciences are best fitted for their ownership. One endowed with a gift of narrative might write a satirical story about a group of very virtuous individuals, each of whom happened to be left with a minority interest in a concern that engaged in practices of which he disapproved. Each would set about ridding himself of his investment. Such a redistribution of equities would be effected that each would come into possession of a property whose uses met his scruples. Thus the consciences of all would be freed from their burdens and the objectionable practices would be left intact. The point is that it is futile to attempt to solve social problems by appealing from the price-system to personal morality. Such problems can be effectively dealt with only through changes in the plane of competition. Hence they call for social morality and collective activity.

prises they manage. If the ultimate interests of the managers, the business ventures themselves, the laborers they employ, and the communities they supply are in accord with the demands of immediate money-making, they are likely to be served. If the lack of harmony is inconsiderable, the more immediate may be sacrificed to the less immediate value, provided business management and ownership are relatively stable. If they are out of harmony, the less immediate interests of group and community are likely to be sacrificed. No matter how promising a change in working conditions, no matter what the possibility of a proposed law, if it threatens serious interference with immediate gain it is damned. Impinged upon by conditions which they cannot control, business men have no alternative but to attempt to increase current dividends by similarly impinging upon prices not strong enough to resist their impact. To each the flood time of the cycle represents normal conditions; each can be depended upon to favor policies promising wider markets, further exploitation of natural resources, and an acceleration in the rate of industrial expansion. These are the essential demands of the group as they have found expression in social development. It is significant that they arise, not in the desires of business men, but in the institutions to which they must conform, that their end is not to advance consciously appreciated group-interests but to conserve and increase current incomes.¹

An extended argument seems unnecessary to show the response of professional and laboring men to similar demands for immediate income. If with the former it seems somewhat less whole-hearted, it is because the lurking traditions of the craft period and the better-formulated codes of professional ethics more rigidly confine the motive. But the establishment of bounds rather determines the nature than takes away the intensity of competition. Only

¹ It is of note that the business man obeys the laws of the institutions under which he lives rather than personal inclination. The tendencies affecting the development of society thus find expression through him rather than take their initiative from him. However, it must be confessed that in the industrial system positions and their occupants are brought together by a selective process, and that managerial rôles are usually played by men who, either by inclination or by training, are able to brush non-pecuniary considerations aside and to act quickly. Their wills are usually in harmony with that of the institutions governing their actions.

where incomes are fixed and personal effort and direct pecuniary reward are divorced do we find a profound disregard to immediate pecuniary values. Professional men and laborers alike have a perishable commodity to sell and are compelled to sell it in an irregular and capricious market. The skilled laborer shares with the professional man the further disadvantage of having to dispose of a highly specialized product. The nature of service and the character of the market beget a careful regard for current values. To the laborer especially income is a regular flow; his outgo has usually been arranged in strict conformity with that fact. Many times provision can be made for a bare month ahead; in no inconsiderable number of cases the span of economic calculation runs from Saturday night to Saturday night. The failure of an appearance of the pay envelope leaves him without the means of support and may threaten his future security. The opportunities of his children for development, for health, even for life itself, depend upon uninterrupted income. We may therefore expect the laborer and in lesser degree the professional man to take much conscious thought about current income.

It is apparent, therefore, that the class which lives under the continued and fitful sway of the price-system contains the great mass of mankind. To realize their ideals, to carry through their schemes, to thrive economically, even to continue to exist, they must be responsive to the dictates of money-making. It matters not how unselfish the individual, how unmercenary his motives, how great his concern for literature, philosophy, or philanthropy, he must live in a pecuniary society; he must attain his ends by selling and purchasing goods and services. Before he can write poetry, establish schools to teach art, or send forth missionaries to make converts to the abolition of the price-system, he must obey its commands. His aspirations may all be spiritual, he may rebel at the existence of the institution, but in the end no choice is left save obedience.¹ This is not because he is money-mad,

¹ Perhaps no question of theoretical interest in economics has provoked more confusion than that of the incentives to economic activity. To insist with the classicists upon individual self-interest as the sole origin of conduct, or with the sociologists upon environment as its exclusive source, is to make a half-truth do duty for the whole. The factors are complementary rather than antagonistic; it is always the

nor because money motivates his activities, but because he lives in a society so organized that pecuniary income is a definite and exact summary of his varied and complex assortment of motives. The constraint to subordinate welfare to wealth proceeds neither from an instinct nor a morbid desire, but from the nature of the social organization.

III

The direct dominance of the price-system over thought and action is upheld by a number of social conventions. This indirect support is so important that an enumeration of the more influential of these is necessary to an adequate appreciation of its power to shape conduct.

The first and most obvious of these conventions is the high measure of public esteem accorded the business man, the member of society who is the most prone to reduce his universe with all its contents, measurable and incommensurable, to pecuniary terms. In America until recently there has been no recognized aristocracy, no clergy with clearly defined traditions, no professional class of assured status, no group with the prestige which comes from established position. Since the first requisite of development seemed to be an industrial system, with its indispensable business complement, business men came into this strategic position unchallenged. In popular thought it was they who made possible the utilization of natural resources; they who gave productive investment to savings; they in whose establishments labor found remunerative employment. The enterprises which they founded became the dispensers of blessings to the landowner, the merchant, the local newspaper, and the neighborhood church. It was through their new ventures that the community grew, amassed wealth and population, throbbed with industrial life, and assumed full-fledged

individual who acts, and egocentricity makes interest his dominant motive, but he always acts within a situation which infuses the content into his activity. Bankers and physicians are alike impelled by self-interest, but their actions are governed by very different codes of professional ethics. Mediaeval guildsmen and modern unionists alike respond to self-interest, but they act within very different institutional systems. Since the concern of this article is primarily with the content of group-activity, its stress necessarily falls upon institutions.

urban pretentiousness. In view of these services the opinions of the lord of trade found a ready hearing. If we are prone to laugh at him as an accredited critic of tobacco and soap in newspaper advertisements, our feelings are more serious when we remember that to the great majority of men he is competent to speak with equal authority upon affairs of state and the immortality of the soul. Small wonder that we regard him as capable of advising us in matters of social policy.

A second convention favorable to the dominance of immediate pecuniary values is our habit of using the dollar as the measure of all worth and all attainment. In more stable communities the institutions which represent the various aspects of life group themselves in a varied and rich social organization. There the individual is appraised in terms of such standards as birth, religious belief, education, intelligence, political opinion, and personal morality, and the answers obtained are all used in giving him his place in the community. If he does not care to be an outcast he must conform to the dictates of these standards. But under industrialism it has been impossible to use at all adequately these rich standards of social rating. Throughout the greater part of America two generations have witnessed the transition from an agricultural to an industrial system, and the newer life has been adequately organized only in its immediately industrial aspects. The transition has everywhere been accompanied with a high degree of flux. In small villages the names of firms still change with kaleidoscopic quickness. On the investment market securities change hands even more rapidly. In the city propinquity is no breeder of neighborliness, and the roof of an apartment house does not make of its numerous occupants a community. Labor is "on the move," ever ready to take "the main chance." Amid the rapid whirl of industrialism one gets into the habit of considering relations but for the day. Here today, there tomorrow, the identification of individual with industrial establishment, with community, and with peculiar schemes of thinking and living has nothing in common save the blue sky above and the pecuniary income ahead. In view of the necessity of forming judgments within this chaotic society, it is inevitable that the dollar should become the arbiter

of values. It serves well this function because, to those who use it, it is far more than mere income. When new sections of the country were inviting settlement, when older ones were ready to welcome machine industry, when urban centers were springing up in the wilderness, and when new occupations were beckoning to youth, the income ahead typified great adventure; it epitomized in one lucid expression the promises and the fears of a lifetime.

A third convention, intimately associated with the one just discussed, is the use of pecuniary display as a means of attaining personal distinction. In an impersonal society such as ours only the exceptional man, when disposing of his services, is asked about his ancestry, his political views, his moral scruples, or the fundamental nature of his subjective cosmos. In supplying his wants one purchases the services of others in the form of impersonal goods, and from them he can ask no questions about the personal characteristics of their makers. One's few intimate friends are drawn to him partly by similar tastes, partly by incomes of a size to allow them to enjoy the same opportunities and amusements. The transitory nature of acquaintance causes even one's friends to fail to see many of the elements of his life which stand fully revealed in an established community. Of many aspects of his life for which he yearns for approval or shrinks from disapproval they can know only what he tells them. Friends, too, are few in number, far fewer than he would like as a personal audience. The individual within him craves recognition even from the unknown crowds against which he jostles every day. As he goes to and fro upon the cars, as he frequents restaurants, as he haunts the theaters in search of vicarious companionship, he desires to be accounted the equal of any. To this end he must use easily recognized marks of distinction. But the prestige of ancestry reveals itself in no peculiar facial expression; kind hearts cannot be worn upon coat sleeves; erudition is not always knit into the brow; and even the cloth is not an infallible index to inward piety. But pecuniary position can be donned with one's clothes; it can exhibit itself in the outward form of one's living; it can display itself in the brilliance of entertainment. Even if unattainable, it may perchance be feigned, which, if successful, is just as well. Pecuniary display thus serves to give

one the satisfaction which otherwise he would secure from favorable appraisals in terms of more personal standards. Small wonder that where industrialism is dominant one gets into the habit of regarding pecuniary income as the one sure way to personal distinction.

A fourth convention, perhaps implicit in those which have been mentioned, is that of allowing processes of thought to be dominated by business habits. In the industrial environment the merchant cannot mix gossip with his sales; he has no leisure to discover the views of his employees upon the question of apostasy; he cannot appraise inefficient employees as "chips off the old block." He comes into contact with many men; he engages in many transactions; he must find standards for business judgments. He must list and label many persons and values; it must be done with dispatch; it must be done accurately. He has a concern for his own business reputation, and he knows that at the bank and in Bradstreet's he himself is rated in purely pecuniary terms. For his own ends the pecuniary calculus, similarly used, never fails him. In view of his habituation to it in business it is natural that he should extend its domain to cover the values of his social life. As issues are presented to him, as proposals of changes in social arrangements come and go, as values strive for the dominance of his mind, he must catalogue and appraise them. To that end pecuniary standards are tangible, intelligible, and lend themselves to even the most elementary processes of thought. Its judgments belong to the here and now, not to the far-off half-real things which may or may not be. It fits the needs of a world whose primary concern must be with the immediate problem of making a living today. To use any other standard in measuring the would-be tendencies in social development would contradict the universe in which he leads his life.

IV

If the analysis has been correct, a response to immediate pecuniary interest has greater influence upon the conduct of individuals than a consciousness of their more ultimate interests as members of competing groups. Thus the first part of the double task with which this argument is concerned has been fulfilled.

But its very truth seems to deny the possibility of establishing the second thesis, that out of these responses to individual interest, so diverse and so contradictory, a coherent social development leading to economic concentration has sprung. For evidently the totality of incomes is not without limit, and in furthering his own interests one might be expected to provoke opposition from others by encroaching upon their possibilities of pecuniary gain. Accordingly development might be expected to reveal chronic vacillation, arrested growth, and protracted anarchy.

While it is useless to deny that to an extent this has been true, the opposition of conscious pecuniary interests has been more apparent than real. The antithesis is resolved by a consciousness of a real or apparent harmony between the immediate pecuniary interests of the several industrial groups. The source of this identity of interests is to be found partly in the stage of our development, partly in certain features peculiar to our social organization.

Thus far the industrial life of this country has been characterized by a vigorous exploitation of natural resources and by rapid expansion. The exploitative industries have made enormous gains. In their competition for the goods and services essential to their continued operation the managers of these industries have been forced to raise the prices paid for cost goods, thus increasing the incomes of members of other groups. Under expansion increments of income are constantly accruing, and the very intricacy and delicacy of the price-system can be depended upon to distribute these among various industrial groups with a more or less lavish hand. It may well be that a much larger share is appropriated by members of the higher pecuniary groups than by those of the lower, but it is nevertheless true that the increased prosperity of the purchaser of one's services gives promise of an increase in their market value.

An even larger measure of apparent identity has its source in the organization of the personnel of our industries in the form of a hierarchy. At its apex are the enterprisers, recipients of large incomes, endowed with comprehensive industrial powers, and, perhaps most important of all, possessed of unusual control over public opinion. Their vantage position has come with the great

transformation of life and values which we call the industrial revolution. The nature and scope of this will be made clear by a brief comparison of the older craft system and the newer machine process.

The craft system tends to a diffusion of wealth and industrial initiative. It has its basis in the tool, whose cost is small and whose utility extends to an infinitude of tasks. Where it still dominates technique, as in agriculture and retail selling, productive establishments are small, numerous, and widely scattered. The prevailing type of organization is the personal establishment or the partnership. Among those engaged in these industries there may be something of a common viewpoint, system of thought, and scheme of ideals. Where these exist they are unconsciously held and owe their strength, not to communication and organization, but to the influence of similar working conditions. But the disorganization attending the multitude of establishments prevents the rise of a clearly defined group-consciousness which finds expression in a concerted program. Nor is there present the host of dependents who can be persuaded, at least for the moment, that their interests are identical with those of their employers. Lacking means for forcing their viewpoint and ideals upon their own and other groups, the men busied with the craft technique are in positions of small strategic importance.

The modern industrial system, on the contrary, tends to a concentration of wealth and industrial control. It has as its basis the machine, which is a complicated collection of parts, costing much in labor and accumulated wealth, and useful for a highly specialized task. The specific character of its work makes necessary in a single establishment a large number of machines differentiated in function. The small contribution which can be allowed it for the work which it performs upon a single unit of product inhibits its use in any save large establishments. Accordingly plants using the new technique are likely to be of immense size, small in number and highly concentrated. Their corporate form of organization puts control of them in the hands of a small number of men. This, with the small number of really large establishments, gives rise to a group differing from others in wealth, in

industrial function, and in habits of life. The small number and the identity of function facilitate communication and lead to the informal rise of common habits of thought, industrial ideals, and methods of action. In time there arises among them a conscious sense of solidarity of interests. However much they compete with each other, they are alike opposed to legislation or informal action designed to increase the prices of cost goods. Likewise they are agreed as to the desirability of any proposal promising a further expansion of business. The ease of communication and the identity of interests permit these and similar beliefs and desires to find expression in a consistent program. A connection between the realization of this program and the dividends which they regularly expect is sufficient for its diffusion in the much larger circle of the owners of the industries.

The vantage-point held by enterprisers is further emphasized by the unique position which the industries that they command occupy in the public mind. The concern of the American intellect is distributive rather than collective; particular rather than general. It thinks in terms of the single establishment which it sees rather than of the nation-wide industry which it can perceive only in the abstract. It attributes immense importance to manufacturing because of the vast smokestacks, the massive piles of brick, and the hosts of laborers of the single establishment. It denies a like social importance to agriculture because it cannot escape the picture of two buildings upon a hundred acres, an assortment of small tools, and an antiquated use of horse-power. Its unfamiliarity with totals leads it habitually to see in every new establishment an increase in wealth rather than a mere diversion of capital from other lines of endeavor. So firm is the conviction that machine industries are all good that one finds no city insisting that its importance is to be measured by other things than the number of its factories and population. He detects no evidence of a civic pride which insists that problems are growing faster than they can be solved and that industrial expansion be halted until they be got in hand. On the contrary, convention is giving an even added importance to machine industry. The public, for instance, sees in the industrial plant the city possessed of its wide

variety; in the farm, the country with its dull monotony. Likewise it attributes the great increase in material wealth and the advance in the standard of living entirely to the machine process, oblivious alike to the contributions of the industries still using the tool and to the gifts of a benevolent nature.

The strategic position of the managerial class makes easy the dissemination of their viewpoint and would-be policies. The very nature of the productive process which runs its interminable length from raw materials to finished goods furnishes many opportunities for propaganda. Only a few of its many operations are performed in establishments making large use of machinery. It connects at many points with businesses in which the newer technique has only a nominal hold. These smaller concerns are under the necessity of disposing of their products and of securing profits regularly. In many cases they produce raw materials which the larger concerns use; in others they sell to laborers employed in the large establishments; in still others they turn out goods whose uses are complementary to those of the products of large businesses. With an eye to immediate profits they see a benefit to themselves in the advancement of the pecuniary interests of the larger establishments.¹ They are thus disposed to the favorable reception and advocacy of proposals promising immediate pecuniary returns to the larger concerns.

A second connection favorable to the dissemination of such views is the existence of industries and professions subsidiary to technical production. In the development of the industrial system a number of such complementary businesses have grown up. Chief among them are the agencies of credit, such as banks, loan and mortgage associations, insurance companies, and the exchanges. Their common concern with finance unites them into a single compact group in which the larger establishments are

¹ It is surprising to note how complicated and far-reaching are the industrial relations leading to the dissemination of these views. As evidence note the protest of all sorts and conditions of men and women living in a city with large brewery interests against a state law prohibiting the manufacture of alcoholic beverages. Or note how successful the interests demanding protective duties have been in convincing the farmers of the West that they build up urban communities which buy their products in increasing quantities.

dominant, and which penetrates into every nook and corner of the industrial system. The larger establishments perform functions essential to large-scale industrial operations and derive their profits from that source. In many cases they are creatures of manufacturing, mining, and transportation companies. Their connections result in an identification of their interests with those of large industrial corporations. Their position in the financial system makes easy a dissemination of their opinions among the men in smaller establishments. Finally the intimate connections of the financial system with all kinds of businesses give opportunity for a general circulation of managerial theory and opinion.

A kindred subsidiary interest is the legal profession. In the transformation which has come over it in the last half-century law has become an adjunct to business. Its practitioners have constant association with members of the managerial class, they are frequently called to managerial positions, the possibility of the most lucrative employment comes from that source, and the career of the lawyer of importance is spent in advancing business interests. As a complement to personal interest the nature of the system in terms of which the lawyer does his thinking makes him a ready, even if unconscious, agent of propaganda. For it is evident that the individualistic assumptions of the law, with their implication of the substantial immutability of social arrangements, are strikingly in harmony with the managerial theory of the universe.

The press constitutes a third vehicle for the dissemination of this theory. Both the magazine with its country-wide circulation and the newspaper whose influence is confined to a single city have fallen under corporate ownership. While the personal traditions of an earlier age have not entirely departed, the concern is organized as a money-making venture, its stockholders cry aloud for dividends, and its policy tends to be regulated by business principles. To this end it must have both advertising and subscriptions. But its revenue comes largely from the former, and the latter is of importance only as indicative of a circulation that can be made to appeal to the advertiser. In view of this the independence of the

editors has been giving way to a subordination to the business office.¹ The latter has come to exercise a censorship both over news and over editorial expression. The first, taking the form of standards of taste as to what is to be published, becomes a matter of aesthetics rather than one of liberty of utterance. The restraints upon editorial utterance are more open, but even here the question is merely one of maintaining the traditional policy of the paper. Because of these changes a large part of the press has come to a willing, even if unconscious, instrument for the dissemination of fact and fiction favorable to the immediate pecuniary interests of the managerial class. All of these, bankers, brokers, lawyers, advertising managers, editors, and what nots, have intimate personal relations with responsible business men. These tend to a common viewpoint, common habits of thought, and a common theory of social welfare.²

¹ The newspaper is so much a matter of everyday concern that we take it quite uncritically. For this reason it is hard to appreciate the nature and extent of the subordination of news and opinion to business exigency. In the control of discussion and the organization of opinion the editorial writer performs a function singularly like that of the college professor, though more immediate and perhaps more important. Accordingly it is pertinent to compare the measure of journalistic with that of academic freedom. The editorial writer permits the complete effacement of his personality, even of his identity. He tolerates as a matter of the day's work restrictions upon his utterances which not even the most designing of college presidents or the most stupid and bumptious of trustees would think of imposing upon the meekest of scab professors.

² The very nature of his occupation makes the business man an absolutist. He forms judgments by reducing all his values to definite and final quantitative terms. He is exposed to a single environment and has no concrete material with which his specialized imagination can visualize another. He formulates his social theories (for whatever else he is, he is a confirmed theorist) by generalizing from the infinitesimal fraction of the social cosmos which constitutes his immediate environment. His absolutism inhibits his accepting the theory that there can be theories other than his own. Accordingly the man who differs from him on matters of social import is either a villain or a fool—yes, worse, he is a mere theorist. Measured by the standards of his profession the business man is usually quite honest in his opinions, but he has no understanding of schemes of thought which spring from environments other than his own. He has no comprehension of programs which proceed from assumptions other than those of the money-making philosophy of life. For evidence upon these points one has only to read the organs of business opinion, for instance the *Wall Street Journal* or the *Commercial and Financial Chronicle*, or exchange theories of the universe with the everyday man of affairs.

There remains, therefore, only the proletariat to oppose the viewpoint and counteract the propaganda of the managerial group. But, judged by its activity, it is rather an aggregation of groups than a single compact and homogeneous unit. Every laborer sees the physical impossibility of the same increment of income appearing both in dividends and in a pay envelope. He is capable of visualizing a state of things wherein his position is improved. He believes that under present arrangements the capitalists have by far the better of it. He admits to himself the possibility of changes designed to improve his lot at the expense of the well-to-do. He is sure that his own economic salvation must be achieved by his own efforts, and that he cannot safely leave it to the chance of an increase in his employer's business. He realizes alike the necessity of a closely knit organization for the attainment of his ends and an effective propaganda for drawing the middle class to his support.

But these group interests have by no means complete control over his actions. They are matters of the long time, and he must live his life in the immediate future. They promise blessings to the group; he has an individual fortune to conserve. He may not live to reap the full benefits of the reforms which his radical activity may bring about. In their general distribution within the group his share may be a small one. A strike, in spite of seeming success, may cost him personally more than he gets out of it. As a part of a long-time program its failure may eventually prove a gain; to him, left unemployed, it may bring permanent disaster. A legislative program offers the group improved work conditions; its immediate effect may be so to disarrange business as to leave him without work. Particularly if he is getting along in years, if his skill is specialized, if he has become associated with a single job, his interests are more closely identified in his mind with those of his employer. He knows that radical changes may eventually improve conditions, but he also knows that they are no respecters of established positions and incomes. He knows that he receives his wages directly from the establishment employing him. When he thinks of the perishable nature of the commodity he sells and of the irregularities of the market, he sees in the establishment in which he works the cause of his being employed. Face

to face with an emergency it may appear as an instrument of Providence supplying him with a regular weekly income and the blessings which it confers. Thus the constraints of immediate position make the promises of reform uncertain and nebulous. What matters it what rewards radical reform brings to the group if its immediate effect is to snap the frail link that binds him to the economic system whence comes his support? His immediate personal interests clash with his interests as a member of a group and get all muddled up with those of the concern employing him.¹ As a consequence his radicalism comes to supply him with speculative problems rather than with incentives to activity. It becomes an affair of his inner life, not a matter of vulgar outward display.²

¹ This conflict of individual interests is a matter of consequence in many aspects of economic life. A single example of its importance will suffice. To fail to distinguish between the theories and ideals of labor leaders, who are most conscious of the interests of members as constituting a group, and of the "rank and file," who see far more clearly their own immediate personal interests, is to fail to understand union activity. Where there is honest leadership, the leaders have their eyes upon the less immediate future; the rank and file are most sensitive to immediate success. The former are capable of coherent programs leading through failure to eventual success. The latter demand definite results from every step taken. The former have succeeded in impressing their views sufficiently to secure a measure of group-action, but this is more likely to be action by separate locals and in separate establishments than by trades or over large territories. The organization of the American Federation of Labor bears evidence to the importance of group, as against class, activity—a principle which makes striking concessions to the immediate personal interests of the members. In fact the principle is so strong that in terms of activity there is no American working class. The unionism which is most alive is that which Mr. Hoxie has called "business unionism." It stands for the advancement of the pecuniary interests of the group and is closely akin to the group solidarity of business men.

² To many the interests of individuals as consumers seem to offer the emergence of a radically different viewpoint and program. But the promise seems barren. First, there is no distinct class of consumers. The nearest approach is women as "spenders" of income in contradiction to men as "makers" of it. But this classification is more fanciful than real. Besides, the spenders are at present denied a real share in the formation of public opinion. Yet it is possible that, with the extension of the franchise to women and their consequent larger interest in the society around them, the consumption viewpoint will gain a larger hold on public opinion. Second, if income is insufficient, it seems far easier to mend matters by trying to increase its size than to get goods at cheaper prices. Effort directed toward the first gives one the full benefit of his exertion; toward the second, only a micro-

For reasons such as these the diverse responses to immediate pecuniary necessity by divergent groups find expression in a common public opinion and a concerted action. The promises of social innovations may be differently viewed by men in different walks of life, and yet these men may agree upon the expediency or in expediency of adopting them. The judgment may be in favor of a proposal whose eventual consequences bid good to none of the groups in society; it may be against a proposal which promises general good. Proposals are not accepted or rejected upon a consideration of their nature and of the eventual promises which they offer. Their fate rests upon the effects of their adoption upon current pecuniary incomes. Those proposals become aspects of social policy whose realization in action promises to increase, or at least not to decrease, current distributive shares; those fail of inclusion, no matter what they eventually promise, whose adoption threatens immediately dividends or wages.

The social policy which the price-system permits to be formulated accordingly meets two requirements. The first is a demand for a preservation against collective action seeking to change conventional arrangements, for a change in the fundamental conditions under which industry is carried on is accompanied by radical disturbance in the structure of prices. These are manifest in financial disorder, friction, scrapping of capital, unemployment of labor, and other disadvantages pertinent to the temporary breakdown of the system. The second is an approval of a program of exploitation or expansion which gives promise of increases in pecuniary incomes. In anticipation of these the members of all social groups regard the disorganization incident to enlargement as a slight inconvenience. Thus the immediate interests of the groups unite in a program favorable to the creation of new money-making opportunities and opposed to changes in institutions.

Such are the essential features of the policy which has found expression in our social development. It has aimed consciously

scopic fraction of the general good which will accrue. For these reasons, even with a full participation in social affairs by women, it seems that efforts to effect important social changes by an organization of consumers will in the future, as in the past, prove superficial and sporadic.

at the elevation of no pecuniary group and at the subjection of none; it has had as its intent neither the concentration of wealth and economic power nor the dispossession of the proletariat. Economic groups have united merely to maintain those conventions and to favor those proposals which have promised to enlarge old opportunities for money-making and to open new sources of wealth. A continent possessed of boundless resources and a marvelous machine technique which could turn them into a golden stream of incomes have impelled a policy of reckless exploitation and feverish industrial expansion. In this mad rush most men have been reasonably successful in gaining wealth, and some have waxed fat beyond the wildest dreams of a less acquisitive age. But with these gettings many things have come, uninvited, unwilling—mere incidents to the more conscious process of drawing dividends and opening pay envelopes. Among these have been the rise of large-scale industry, the correlation of industries into an articulate system, and the subordination of all this to the pecuniary order. These together have arranged industrial functions in a scheme graduated according to their several importances, and have opened opportunities for those that have wealth and power to have yet more abundantly. Its complement has been a stripping of the great mass of men of economic initiative and power and a reduction of them to a propertyless host of industrial and clerical laborers. You may call this failure of the enfranchised many to make democracy an economic fact unconscious or conscious as you will. It has been unconscious in that concentration and dispossession have been the intent of no social group. It has been conscious in that they have been inseparable incidents to a social policy which has sought as its first object the maintenance of the immediate and mutual pecuniary interests of the several groups which make up industrial society.

V

To summarize, however briefly, the argument which runs its tedious length through the foregoing pages would prove an additional weariness to the flesh. Its outlines are by this time obviously, even painfully, familiar. Yet a conclusion must wait upon

a passing mention of some of the more interesting byways which lead off from the thoroughfare which has been followed. The more inviting of these will be set down in order.

First, if the foregoing argument is sound, neither our general development nor the specific aspects of it has involved either conscious group-activity in its own less immediate interest or a clear-cut struggle between groups. On the contrary it has repeatedly happened that the issue has been between a more immediate and a less immediate view of individual and group needs. Changes in institutions, in working conditions, in habits of living, have been pronounced desirable by men of all groups; yet the poor as well as the rich have shrunk from the immediate penalty incident to adoption. For this reason the fact of class or group deserves less attention than it has received in the discussion of economic problems, and the institution known as the price-system deserves to be accorded a place in the theory of economic motivation. Needless to say, this leads to a theory of economic conduct whose final term is neither the self-will nor the self-interest of the individual.¹

Second, the price-system plays a conservative rôle in social development. It is true, as has been so ably argued,² that men do not renounce radical programs because of any conscious fear that their realization will bring economic disorganization and social

¹ The classical theory of economic conduct has as its basis the concept of "the economic man." It is no exaggeration to say that this concept has been partially responsible for the disrepute into which classical doctrine has fallen among laymen. Yet the essential idea in the concept, the disposition of the business man, in view of the conventions and institutions about him, to act in accordance with his pecuniary interests, is sound. The classicists failed of exact analysis in assuming personal pecuniary interests to be simple and evident things and in failing to note that they are bundles of conflicting values. But their fundamental error was in formal statement. Because of their acceptance of the individualistic-naturalistic common-sense thought of the times, they attributed to human nature motivating impulses which spring in reality from the social system. Modern economists, however loudly they may exclaim against the concept, agree with its principal implication. It is peculiar that in several instances their conviction has found expression rather in an attempt to bolster up the human nature of the economic man than to associate the content of activity with the exigencies of life in a society organized upon a pecuniary basis. For an interesting rehabilitation of the economic man see Henry R. Seager, *Principles of Economics*, pp. 51-52.

² Henry Clay. See the argument in the footnote on p. 36.

chaos. Yet, if we were possessed of the eighteenth-century belief in the moral efficacy of man's instincts, we might argue that intuitively men obey just this restraint. Each is conservative in action lest radical changes sweep away his income. But one's income is but an aspect of the price-system, and its disappearance a mere incident of a more or less general disintegration of the price-structure. Hence the instinct which leads one to protect his income really functions to the preservation of the price-system against radical changes bringing with them general economic demoralization. On this basis one who believes in the system as ordained can easily see in the scheme of articulated prices a safety device, an institution whose function is the preservation of industrialism by protecting it against innovation. Certainly we may concur by admitting that the price-system imposes restraint upon innovation and thus gives continuity to industrial development.

Third, the price-system causes the less immediate to wait upon the more immediate value. There was a time when social philosophers insisted that the world had been so contrived that the interests of all were best served by allowing each to pursue his own personal advantage.¹ Translating this into their own thought, economists found social interests inseparably associated with the right of each individual to be guided by his own immediate pecuniary interest.² Since we can no longer accept the assumptions underlying this confession of economic faith, our conclusion upon the question of the morality of a development secured in this way must take the form of an alternative. So far as the long-run interests of society are in harmony with the immediate pecuniary interests of social groups, they are well looked after. So far as they are contradictory to these immediate values, they are sacri-

¹ For excellent statement of this theory see William Blackstone, *Commentaries on the Law of England*, Book I, sec. 2, and Piercy Ravenstone, *A Few Doubts about the Correctness of Some Opinions Generally Entertained on the Subjects of Population and Political Economy*, pp. 2-3.

² In this connection see the well-known discussion of the relation of natural theology to political economy in Richard Whately, *Introductory Lectures in Political Economy*, pp. 99-117.

ficed.¹ However these future values may be separated into the two divisions, the prevailing industrial order forces us to subordinate a conscious consideration of welfare to a consideration of wealth. It forbids wealth attending upon the behests of welfare.²

Fourthly the price-system has denied to us a consciously formulated theory of social development. Collectively we do not take conscious thought for the morrow. We do not draw up schemes of what the society of after-while is to be like, devise ways and means for making it measure up to these ideals, and set about the attainment of our ends by an application of them to the society of here and now. On the contrary, we allow the non-industrial aspects of life, the rich and varied culture which it contains, and even the larger aspects of our social arrangements to develop within the limits permitted by a continued response of economic groups to their immediate interests. For good or for

¹ In speaking of the England of the new productive system made possible by the machine technique Macaulay once remarked: "Nowhere does man exercise such dominion over matter." In discussing the social England created by the new technique, a recent book on English industrial history transposes Macaulay's words to read: "Nowhere does matter exercise dominion over man." See J. L. Hammond and Barbara Hammond, *The Town Laborer*, pp. 17-18.

² We have been told often enough to know that there are no real antitheses in life. Yet at this point the temptation is strong to contrast mediaeval and modern social policy. In the ideal of the former, however imperfectly it may have been realized in practice, the principle was clearly established that wealth must wait upon welfare. To that end welfare was defined, the means to its realization were determined, and wealth-getting had to accommodate itself to these. In terms of this theory the prohibition of usury, the social position of the trader, and the regulation of industry and commerce by church, municipality, and gild are to be explained. In modern society we neither define welfare nor determine means to it as an end. Quite consciously we allow it to accommodate itself to the exigencies of wealth-getting. We go so far as to allow the character and numbers of our people and their resolution into groups to be determined by the chase of dollars, despite the fact that the welfare of these groups is considered by most of us more ultimate than wealth-getting. It is of note that in determining social policy the mediaeval world attached great importance to the opinions of those whose concern was general and social, little to those whose concern was industrial and personal. We reverse the process. The men whose opinions counted in the Middle Ages were churchmen and scholars. Now the opinion of the business man, whose concern is particular and who knows only a tiny segment of social life, counts for everything. Small attention is given to the opinions of clergymen—even less to those of college professors, even to those whose specialty is the study of mankind in his economic and social relations.

bad we make the development of culture a mere by-product of money-making.

At this point the argument must rest. Its function is expository, not didactic; positive, not ethical. As such it has been discharged. It may be that the dominance of the price-system has blinded us alike to the future and to larger current interests, and has prevented the establishment of an economic and social order far superior to the one under which we live. It may be, on the contrary, that it has kept us from dissipating our resources in social experimentation and has established a system as good as we could expect under the circumstances. It may be that, had we but been free from its immediate pressure, we might have diffused economic as well as political power. Or it may be that industrial democracy was attainable only at the expense of general well-being. These raise interesting and important questions, but they are of ethical and prophetic import, and of them the tangles of the price-system tell nothing.

WALTON H. HAMILTON

AMHERST COLLEGE